



**California Public Employees' Retirement System**  
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April 13, 2011

The Honorable Jerry Brown  
Governor's Office  
State Capitol  
Sacramento, CA 95814

Mr. Gregory Schmidt  
Secretary of the Senate  
State Capitol, Room 3044  
Sacramento, CA 95814

Ms. Diane F. Boyer-Vine  
Legislative Counsel  
State Capitol, Room 3021  
Sacramento, CA 95814

Ms. E. Dotson Wilson  
Chief Clerk of the Assembly  
State Capitol, Room 3196  
Sacramento, CA 95814

The Board of Administration of the California Public Employees' Retirement System (CalPERS) has accepted the June 30, 2010 Actuarial Valuation of the Judges' Retirement System (System).

As shown in the report, the actuarial value of assets, at market value, as of June 30, 2010 is \$63.828 million. Under the current pay-as-you-go funding approach being followed by the State for making contributions to the System, the System's present value of benefits as of June 30, 2010 is \$3.556 billion based on a 4.50% investment return assumption that is used to determine the employer's annual required contribution (ARC) as determined according to the Governmental Accounting Standards Board Statement No. 27 (GASB27) for fiscal year 2011-2012.

The Board considers the System's funding deficiency a serious matter. As an example of this funding deficiency, in the past, the System has been out of funds before the end of the fiscal year, resulting in the delay of benefit payments to members and beneficiaries. Further, the benefit payment demands of the System are projected to continue to increase through fiscal year 2017-2018 as the active membership continues to age and retire. Page 5 of the valuation report displays a projection of expected benefit payouts from the System in the coming years.

In the report, CalPERS recommends that the State consider some form of advanced funding to pre-fund the anticipated future benefit payments under the System for its members and beneficiaries. CalPERS staff will be happy to work with the Administration in establishing an acceptable advance funding program.

The Board wishes to point out that continuing the policy of paying retirement benefits as they come due jeopardizes the constitutionally guaranteed benefits provided by the System. Until additional funding is appropriated and to prevent an even greater escalation of the unfunded liabilities, the Board believes that any legislation that improves the benefits of the System's members should include an appropriation sufficient to fund the benefit increases.

The Board is pleased to file the 2010 report for the Judges' Retirement System with the Governor and the Legislature.

Sincerely,

ROB FECKNER, President  
Board of Administration